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		information report
COUN	VTRY	China, Hongkong DATE DISTR. 29 April 196
SUBJ	ECT	25X1 Movement of Textile NO. OF PAGES 2 Industries to South China
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25X1	1.	The Chinese textile interests look with apprehension on the business trends in Japan. They are afraid that a large textile industry will evolve in Japan whice will utilize American dapital and Japanese labor, and they believe that no other competition can equal this combination. Consequently they wish to find production possibilities which will offer a quick profit in the next two or three years.
		before the competition for the South Seas market becomes intensified.
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25X1		raw cotton will be supplied by the Provincial Government to the Canton mill at a certain price. The mill will then process the cotton, make yarn, manufacture piece goods, etc., and will be allowed by the Provincial Government to export substantial quantities of the finished product. Sixty per cent of the profit from these operations will go to
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		Central authorities as a countermeasure to prevent the Chinese industries from moving to Hongkong.
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25X1		are unsettled, andmill owners do not know exactly where they
25X1		would send the spindles if they received the orders. There are many disputes over the substan-
25X1		tial margin payments which have been made, and there is some question about the payments being returned. The rest of the payment terms
25X1		now demand are very stringent, and they want complete payment before going ahead.
25X1	6.	Because of the labor troubles in Shanghai and the general war situation, most of the cotton people wish to distribute widely any additional spindles which are now en route or which are to be ordered. This distribution would include Canton, Hongkong, Taiwan (Formosa), and Chekiang and Fukien Provinces, as well as Wusih
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